

**Louisiana Public Service Commission
Renewable Energy Pilot (REP) Implementation Plan
Technical Conference**

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Docket No. R-28271, Subdocket B

Baton Rouge, Louisiana

September 29, 2010

Revised¹

¹ This draft of the presentation has been revised to include items that Staff agreed to add at the Technical Conference. Items that have been added are underscored on the relevant slide.

REP Implementation Plan

Technical Conference Agenda

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- Introduction and welcome
- Discussion of Staff's request for position statements and goals for Technical Conference
- Summary of positions received on topic by topic basis to be followed by open discussion of each issue
- Wrap up and adjourn

REP Implementation Plan

Background

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Background

- June 2010 – Staff final recommendation to the Commission to implement the Renewable Energy Pilot (REP or Pilot) program.
- Pilot approved at the Commission's June 23, 2010 open session and the Order issued July 21, 2010. A 90-day implementation process was authorized.
- REP includes a Research Component and an RFP Component for Larger Renewable Resources.
- Research Component has two options the utility may select from. Option 1 – requires utilities to build 3 small (<300 kW) self build renewable projects for research purposes.
- Research Component Option 2 – requires utilities to offer a standard offer tariff for as-available renewable energy for up to 5 MW per contract (minimum 25 kW). Maximum a utility can acquire is 30 MW under this option.
- Projects expected to be operational by end of 2013.

REP Implementation Plan

Background (Continued)

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RFP Component for Larger Renewable Resources

- Allocates 350 MW to the four jurisdictional investor owned utilities and to jurisdictional Coops that have expiring contracts prior to 2014.
- Term up to 20 years
- Certification required in accordance with the Commission's October 2008 MBM Orders.
- Eligible resources defined in Staff's Implementation Plan
- New resources as of January 1, 2010, though option for retooled renewable resources to participate

REP Implementation Plan

Should wood be included in the definition of biomass?

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Opposes – Alliance, Joint Participants

- Exploit forests in an unsustainable manner. Commercial forests have not always been soundly managed, and the Commissions order does not ensure sustainable growth.
- Creates risk for established manufacturing operations and risk of the loss of high paying jobs.
- This includes wood products, pulp and paper, specialty chemical industries, which employ 17,300 Louisianans with payroll of 1.1 billion, according to the Amer Forest & Paper Assoc.
- Also concerned with sawdust, wood chips, and crude tall oil with an acid value greater than 50%, and black liquor soap skimmings.
- Staff's Feb 2010 report indicated that there is 3 times the amount of forest residue available in LA than what is sought in the RFP.

REP Implementation Plan

Should wood be included in the definition of biomass?

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Supports – Int'l Paper, Weyerhaeuser, Cleco, Forest Cap Partners, LA Forestry Assoc, National Association of Forest Owners, SWEPCO

- Otherwise would compromise private property rights, drive market behavior, and require costly monitoring and enforcement processes.
- Otherwise would be allocating wood products to certain markets to protect them from competition
- Otherwise would limit availability of biomass for renewable energy and could limit future investment in innovations in forest practices
- 12,000 forest product manufacturing and numerous closures occurred over past 10 years, have resulted in declining timber consumption. Pulpwood consumption has declined in 2007 below 1995 levels.
- Supports the purpose of Commission Order

REP Implementation Plan

Should wood be included in the definition of biomass?

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Supports – Int'l Paper, Weyerhaeuser, Cleco, Forest Cap Partners, LA Forestry Assoc, National Association of Forest Owners, SWEPCO

- Believes most arguments speculative. During certification proceeding parties could intervene and use actual data to evaluate wood issue.
- This is a Pilot. Limiting it to a finite period, and using a broad definition could mitigate potential impact on wood prices and provide better information on resource availability.
- Supports use of a tracking mechanism to monitor timber prices, which would be valuable to evaluate the impact of the Pilot on wood prices and timber owners.
- Restrictive definitions could lead to litigation such as involving Duke Energy.
- Current forest products manufacturers can clearly coexist with the energy sector. The key is sound policy that ensures sustainable supply at fair market prices.

REP Implementation Plan

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Supports – Int'l Paper, Weyerhaeuser, Cleco, Forest Cap Partners, LA Forestry Assoc, National Association of Forest Owners, SWEPCO

- Forest inventory has risen to the highest levels in 50 years. No mills in LA have ever closed because of lack of timber and none will if markets are allowed to develop.
- Use of wood biomass will not increase cost of higher value wood products. Instead biomass supply will increase to meet demand. Forest owners will increase investments in forest management practices that maintain sustainable production.
- Even if the Commission limits the use of wood to only wood waste, landowners will be left with increasing stocks, diminished supply, and no alternative market for their energy goals of LA and the US.
- Wood biomass is permitted in most other states, and should be permitted in LA.
- Allow wood to be eligible, but set minimum and maximum limits on the use of certain types of renewable resources (segmentation)
- Use open market system of RECs, unconstrained from a requirement that electric sales must be made to the GRID.

REP Implementation Plan

Should an exception be allowed for a utility that owns a solid fuel generating unit?

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Opposes – Alliance, International Paper, LEUG, Sierra Club, Joint Participants

- Would adversely affect prospects of meeting Commission's objectives
- Utility capacity resource should be subjected to market comparison
- Ok to submit a self build, but should go through a capacity RFP

Supports – Cleco

- Satisfies Commission's stated purpose of providing information on LA resources by having a cross-section of different potential approaches to the development of information
- Madison 3 co-firing will have very low capital costs versus the cost to build other biomass resources
- Madison 3 is already constructed, removes construction risk compared to a new biomass plant
- Commissioners recognized the value of fuel flexibility (biomass) when they approved Madison 3

REP Implementation Plan

Should CHP be Included as an Eligible Resource?

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Opposes – Agrilectric, Alliance, Sierra Club, Entergy¹

- ❑ Not renewable and can bid into conventional RFPs
- ❑ Sufficient information available and contrary to Commission REP goals
- ❑ Future legislation unlikely to recognize CHP
- ❑ Study in Energy Efficiency Docket
- ❑ Natural gas fired generators are already prevalent in Louisiana. Of the 8,356 MW of fossil fuel generation capacity added since 2000 in LA, 3,151 MW was CHP¹
- ❑ Because capital and O&M costs are well known, those projects may have an advantage bidding in an RFP, which may “crowd out” opportunities for other renewable resources¹
- ❑ Rates could rise because other customers will have to make up for lost revenues to continue supporting utility fixed costs¹

¹ Staff agreed to add the underlined items at the Technical Conference. Note that Entergy had inadvertently been left off as an additional party opposing CHP as an eligible resource.

REP Implementation Plan

Should CHP be Included as an Eligible Resource?

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Supports – Gulf Coast Clean Energy Application Center, International Paper, LEUG

- CHP resources are valuable
- Some want capacity limit (30 MW), some don't
- Give credit to thermal energy as well
- 14 states have RPS that include CHP/WHR
- Satisfies policy goals including proven and effective, reliable, economical long term supply, greater energy security through indigenous resources, encourages private investment, job creation/retention, and improved air quality
- Make ultimate policy decision on CHP/WHR at certification when data to compare all bids can be assessed

REP Implementation Plan

Should WHR be Included as an Eligible Resource?

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Opposes - Agrilectric

- Not renewable

Supports – Alliance for Affordable Energy, Entergy, Ormat, Rain CII, Sierra Club, LEUG¹

- Benefits - Diversified, low cost, proven and reliable, greenhouse gas emission reductions, as well as other environmental emissions reductions¹
- A form of energy efficiency and natural gas conservation¹
- Must capture new generation from existing source
- Some want capacity limit (30 MW), some don't
- Typical Ormat project size 4 – 7 MW, Rain CII size – 36.4 MW

¹ Staff agreed to add the underlined items at the Technical Conference. Note that LEUG had inadvertently been left off as an additional party supporting WHR as an eligible resource.

REP Implementation Plan

Should substitute natural gas be included as an Eligible Resource?

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Opposes – Alliance, Entergy, Sierra Club

- Not renewable and violates Commission's objectives for REP
- If fed in a common pipeline would render it impossible to ensure it was being used to create energy being sold as renewable energy

Supports – Lake Charles Cogen

- Petcoke is a waste byproduct of the refining industry
- Typically shipped to foreign countries that have little environmental regulations
- 85% of carbon emissions captured in sequestration process
- Fla legislature has same definition "electrical energy produced using pipeline quality synthetic gas produced from waste pet coke with carbon capture and sequestration."